

**SOUTHWESTERN MEDICAL CENTER
9831 S. Western Avenue
Chicago, Illinois 60643**

October 3, 2007

Via Facsimile and E-Mail

Mr. Jeffrey S. Mark
Executive Secretary
Illinois Health Facilities Planning Board
525 W. Jefferson
Springfield, Illinois 62761

Re: Southwestern Medical Center Relocation, Project No. 07-090

Dear Mr. Mark:

Ambulatory surgical treatment centers, such as the Southwestern Medical Center, offer more efficient services at lower costs than outpatient hospital departments.¹ They also are known to enhance overall quality of and access to hospital care services in markets. ASTCs have been described as “a common-sense, intelligent response to a mature health care delivery system and industry gripped by inefficiencies and to health care spending being out of control.”²

In recognition of this growing need for access to low-cost outpatient surgical services and in response to repeated requests to “foster beneficiary access to ASCs by creating incentives for physicians to use ASCs,” in July 2007, the Centers for Medicare and Medicaid Services (CMS) of the U.S. Department of Health & Human Services issued a final ASTC rule that modifies the ASTC payment system to dramatically expand the list of surgical procedures that may be performed at ASTCs and to adjust the payment rates to ASTCs.³ According to Mark B. McClellan, M.D., Ph.D, Administrator of CMS, the new ASTC payment system will help CMS achieve its goal “to help [its] beneficiaries get the outpatient care they need in the most appropriate setting”⁴ and is a step toward “providing unprecedented information to help people get the best quality care for the best price.”⁵ Combined, the expansion of ASTC services and improved payment accuracy “should encourage the selection of the most appropriate setting for the delivery of high quality, efficient care for patients undergoing surgical procedures.”⁶

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The new payment system underscores the fact that ASTCs are low-cost alternatives to hospital outpatient surgical departments (HOPDs). Under the final rule, payment for ASTC services will follow the Outpatient Prospective Payment System (OPPS) relative payment weights, which CMS believes is “[c]onsistent with the goals of quality, efficiency, and rational alignment of payment rates across payment systems.”⁷ While historically, ASTC costs were lower than HOPD costs overall, now ASTC payment rates will be consistently lower than the payment rate for the same procedure performed in the HOPD setting.⁸ The new payment rule, which will be effective for services rendered on or after January 1, 2008, will pay ASTCs 65% of reimbursement for the same procedure provided in the HOPD setting.⁹ Ultimately, this translates into lower out-of-pocket co-payments for patients, lower costs to payors, lower insurance premiums for employers, employees and self-insured individuals, and an increase in the funding available for Medicare and Medicaid spending.

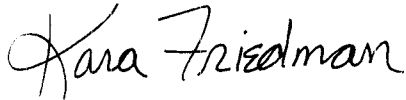
To avoid creating payment incentives to perform those services in ASTCs when they could be safely performed at less cost to Medicare and the beneficiary in a physician's office, payment for surgical procedures identified as “office-based” is capped at the nonfacility practice expense component of Medicare's Physician Fee Schedule (MPFS) payment rate in the physician office setting. So, under the new rule, CMS payments to an ASTC for such services may not exceed the physician office payment rate.¹⁰ This provision will further help to ensure that surgical procedures are performed in the most appropriate setting.

I appreciate the Planning Board's consideration of this replacement project and hope that this additional documentation will assist the Planning Board in its review of the project.

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I respectfully ask for your approval of the proposed replacement and relocation of Southwestern Medical Center.

Very truly yours,



Kenny Bozorgi, M.D. by Kara Friedman, its attorney

¹ See MedPac, *Report to the Congress: Medicare Payment Policy*, Sec. 3F, Mar. 2004, at 187 (hereinafter "Med Pac, 2004 Report to the Congress").

² Competitive Effects of Specialty Hospitals: Hearing Before the Committee on Senate Homeland Security and Governmental Affairs Subcommittee on Federal Financial Management, Government Information, and International Security, May 24, 2005 (statement of John Graubert, General Counsel, Federal Trade Commission).

³ U.S. Dep't of Health and Human Services, Center for Medicare and Medicaid Service, New Rule, Docket No. CMS-1506-P; CMS 4125-P (Aug. 2006) at 428, *available at* http://www.cms.hhs.gov/ascpayment/06_cms1506P.asp (hereinafter "CMS New Rule").

⁴ Press Release, Centers for Medicare & Medicaid Services, U.S. Dep't of Health & Human Serv., *CMS Proposes Changes to Policies and Payment for Outpatient Services: New Steps to Increase Value in Hospital Outpatient Care, with Major Revision of Ambulatory Surgical Centers Payments* (Aug. 8, 2006) at 2, *available at* <http://www.cms.hhs.gov/apps/media/press/release.asp?Counter=1938> (hereinafter "CMS Proposes Changes to Policies and Payment for Outpatient Services").

⁵ Press Release, CMS Media Affairs, *Medicare Posts Ambulatory Surgical Center Transparency Information: Important Step Toward Transparency in Health Care Costs and Quality* (Aug. 21, 2006) *available at* <http://www.cms.hhs.gov/apps/media/press/release.asp?Counter=1948>.

⁶ *Id.*

⁷ Fact Sheet, Centers for Medicare & Medicaid Services, U.S. Department of Health & Human Services, *Proposal for a Revised Payment System for Services Provided in Ambulatory Surgical Centers*, Aug. 8, 2006, *available at* <http://www.cms.hhs.gov/apps/media/press/release.asp?Counter=1940> at 2 (hereinafter "Fact Sheet").

⁸ *See id.*

⁹ *See id.*; *see also* CMS New Rule at 487-92.

¹⁰ CMS New Rule at 466; *see also* Fact Sheet at 1.